

The Critical 10

One year before retirement

What are my short and long-term goals? Who will take care of me should I require personal care and support?

Personal care and support is generally not a subject you would think of for the early stages of retirement or for pre-retirement planning, but is something you may want to think about in this final year before retirement. If an insurance solution becomes part of the financial plan, the cost of that insurance is lower at a younger age. The care question may actually be more relevant for you if you are looking to help your own parents during this stage in your life.

Your parents may be at a stage in life where they are leaving the family home because one or both of them may need long term care that a professional care facility can provide. In Dan Taylor's book, *The Parent Care Solution*, he highlights a number of issues to consider when discussing personal care. These include how to evaluate a care facility beyond the appearance of the site. Accessibility of all rooms, handrails and non-skid surface and the abundance of natural light are important. Licenced staff in good standing and low staff turnover, 24 hour nursing care and access to emergency physician care is also important. Equally important are family issues that must be addressed such as the worry about infrequent family visits or that visits will decline as during periods of increased poor health. These concerns can be mitigated if you have always had a mutual respect for each other and have a history of spending time with each other.

Proper financial planning for yourself can also reduce a big level of stress for your family members should you require care later in life. A 2014 BMO poll found that most Canadians over 65 expect to spend on average \$5391 in out of pocket medical expenses annually. The cost of long term care facilities is even higher. Alberta Health estimates the cost for a private public care facility to be around \$2000 per month and increasing with inflation. Sun Life estimates the cost of private care that involves extensive personal care including nursing with 24 hour availability from health care professionals in Alberta to be about \$6,000 per month.

Many financial planners do not include the family home as a capital asset to be sold during retirement. This is an asset that can be sold tax free to provide income in the later stages of retirement life. If you do not want to rely on the sale of the family home or want to leave a financial legacy for you family or avoid a financial burden, the purchase of long term care insurance may be worth pursuing. An income style long term



care policy can provide you with a regular monthly benefit that you can use to fund care in a residential facility or even for in home care services.

The premium costs of these types of policies are dependent on a number of factors...

1. The age you apply for the insurance
2. Your general state of health when you apply for the insurance
3. The amount of benefits and number of options you select
4. The length of waiting period before the insurance is paid (between 30 – 90 days)

Benefits are paid out when at least two of the following daily functions cannot be performed without substantial help...

1. Bathing
2. Dressing
3. Toileting
4. Transferring (e.g. moving from your chair to your bed)
5. Maintaining continence
6. Eating

An objective cost/benefit analysis can be performed as part of your overall financial plan. The premium costs for a healthy 65 year old Canadian is roughly \$3000 per year for every \$2500 in monthly benefit. Munich Re. Group estimated in 2011 that at age 65, the probability of requiring long term care at some point for Canadian men is 49%, for Canadian women the likelihood increases to 65%.